News Flash

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To: PAC, Sustainability WG, Solvency II WG

EIOPA and ECB publish joint paper on a European approach to reduce NatCat economic impact

Latest developments

On 18 December 2024, the European Insurance and Occupational Pensions Authority (EIOPA) and the European Central Bank (ECB) published their joint paper titled "Towards a European system for natural catastrophe risk management: the possible role of European solutions in reducing the impact of natural catastrophes stemming from climate change". This paper builds upon the discussion paper jointly published by the two organisations in 2023 and to which Insurance Europe had provided comments (see Insurance Europe's response here).

The new paper analyses 12 existing national insurance schemes across Europe and, on this basis, proposes a possible EU-level solution aiming at reducing the natural catastrophe (nat cat) protection gap. In particular, the proposed solution includes two components:

- An EU public-private reinsurance scheme:
  - would aim to increase the insurance coverage for natural catastrophe risk where insurance coverage is low
  - would pool private risks across the EU to enhance diversification and incentivise national solutions
  - could be funded by risk-based premiums from (re)insurers or national schemes;
  - access to it would be voluntary.
- An EU fund for public disaster financing:
  - would aim to reinforce public disaster risk management in member states;
  - would help rebuild public infrastructure following nat cats;
  - would be mandatory and financed through member states' contributions, adjusted to their risk profiles;
  - payouts would be conditional on the implementation of risk mitigation measures in national adaptation and resilience plans.

The paper aims to be a basis for discussion among relevant stakeholders and to offer elements of comparison with alternative solutions. Moreover, it is stressed that the proposed solution should not be considered a substitute for ambitious adaptation and mitigation policies.

Next steps

- The secretariat will review the paper and revert to members with suggestions on next steps.

For more info

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